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March 11, 2005

Mr. Bill Harmon
Attorney
US-Legal-IP-Patents
Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399

Re: U.S. Patent No. 4,698,672 (the "672 patent") - Microsoft Corporation

Dear Mr. Harmon:

We have previously informed you that this firm has taken over licensing efforts pertaining to United States Patent No. 4,698,672 (the "672 Patent") owned by Compression Labs, Inc. ("CLI") covering methods for encoding and decoding digital images in accordance with the JPEG standard. CLI has contacted you several times regarding your need to obtain a license under the '672 patent, and to compensate CLI for your use of JPEG encoding and decoding technology covered by the '672 patent. In particular, CLI has previously offered you a non-exclusive license under the '672 patent on favorable license terms. We have not received a response from you. If you fail to commence meaningful negotiations for a license under the '672 Patent within twenty days from the date of this letter, CLI will withdraw its offer to license the '672 patent.

You should also be aware that over 40 companies have been sued for infringement of the '672 patent, and that all litigation pertaining to the infringement of the '672 patent has been consolidated for coordinated pretrial proceedings in the Northern District of California. See *In Re Compression Labs, Inc., Patent Litigation*, MDL No. 1654. The filing of any additional civil action involving the issues of infringement and validity of the '672 patent will be transferred to the court presiding over MDL 1654 as a "tag along action" for coordinated pretrial proceedings. See *Rules of Procedure of the Judicial Panel on Multidistrict Litigation*, 199 F.R.D. 425 (2001) (Rules 1.1, 7.4 and 7.5).

EXHIBIT

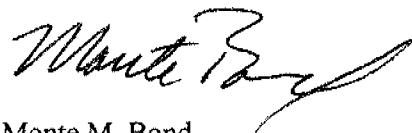
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Your prompt attention to this matter is requested.

Sincerely,



Monte M. Bond

MMB:kjw